UNITED NATIONS

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Economic and Social Council

Distr.
GENERAL

E/1992/82
26 June 1992

ORIGINAL: ENGLISH

Substantive session of 1992
29 June-31 July 1992
Item 2 of the provisional agenda
for the high-level segment*

ENHANCING INTERNATIONAL COOPERATION FOR DEVELOPMENT: THE ROLE OF THE UNITED NATIONS SYSTEM

Report of the Secretary-General

SUMMARY

Prospects of peaceful international cooperation have been enhanced by the end of the cold war and the trends towards democracy and market-oriented economies sweeping through all regions.

Yet major global problems persist. The world economy has slowed down and is not realizing its full potential. Development remains stalled in many countries. Poverty has increased and the environment is under threat. The potential for new conflicts giving rise to mass migrations is all too evident.

Revival of world economic growth and sustainable and human centred development in developing countries should remain the principal objectives of international cooperation for development in the 1990s. Special efforts will be required to enable Africa and the least developed countries to participate fully in global economic growth. Transition economies will need to be further integrated into the world economy.

This calls for a global partnership in which all countries undertake to pursue sound and effective national policies, the international community commits itself to support these policies and the major countries ensure a favourable and supportive international environment in which such policies can succeed.

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To this end, the development dialogue in the forums of the United Nations system in the key areas of trade, finance, technology and sustainable development needs to be strengthened, with a view to developing a common understanding and greater consensus on national policies, global requirements and rules of the game. In this regard, the outcome of the Uruguay Round of multilateral trade negotiations and the effective follow-up of the United Nations Conference on Environment and Development will be critical to success.

The political role of the General Assembly in the development dialogue and the overview functions of the Economic and Social Council will need to be made more effective by closer interaction between these central bodies and between them and the regional commissions, the trade and financial institutions and other parts of the system.

A central issue in this context is the relationship between the United Nations, its programmes and the sectoral agencies on the one hand and the Bretton Woods institutions on the other. The latter were created with clear mandates which have evolved over the years to adjust to dramatic changes in international economic and social conditions. There has been fruitful cooperation among the various bodies of the United Nations system but the scarcity of resources and the new demands imposed by the need to facilitate the transition to democratic forms of government and market-oriented and environmentally sustainable development throughout the world have made stronger collaboration and cooperation an imperative.

An important task of the United Nations system will be to ensure consistency among economic policies worldwide. Trade policies should promote development through expanding access to markets. Fiscal and monetary policies should ensure greater financial stability. To this end, a strengthened surveillance by the International Monetary Fund of both deficit and surplus countries is necessary.

Multilateral assistance must continue to be provided by the United Nations system to support economic reforms and structural adjustment programmes, as well as longer-term development objectives of developing countries. Africa and the least developed countries will need special and additional support. The transition under way in Eastern Europe and the former Soviet Union will also require additional resources. The financing of the United Nations system should be commensurate with these tasks. Urgent action is required on the ninth revision of International Monetary Fund quotas and the tenth replenishment of the International Development Association.

Many questions are being raised about the functioning of the United Nations system. At the same time, the system is being asked to perform many new tasks - for example, in the environmental and humanitarian fields. There is a strong call from Member States for a closer overview and a sense of united thrust. Multilateral assistance and technical cooperation activities of the system need to be refocused on the basis of more clearly defined goals and priorities. Greater impact can be achieved if the funding and financial institutions, specialized agencies and Governments work together to assist

developing countries in the formation and implementation of common development strategies incorporating the anti-poverty, population, human development and environmental goals.

The issues of governance, financing of operational activities and coordination have recently attracted increased attention. The arrangements for governance need to be examined to ensure a strong intergovernmental capacity for setting clear directions and policy guidance; financing of the operational activities should be put on a more adequate, assured and stable basis; and field level coordination should be improved through better harmonization of programmes around common strategies and approaches.

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* The foreword of the Secretary-General will be issued under the symbol E/1992/82/Add.1

INTRODUCTION

1. The Economic and Social Council, by its decision 1992/203 of 7 February 1992, decided that the high-level segment of its substantive session of 1992 should be devoted to the consideration of the major theme: "Enhancing international cooperation for development: the role of the United Nations system".

2. The Council invited the Secretary-General, in accordance with General Assembly resolution 45/264, to provide as a contribution to the high-level segment his views and recommendations on the selected theme. Accordingly, a foreword by the Secretary-General to the present report is being issued in document E/1992/82/Add.1 and the Secretary-General will address the high-level segment on 6 July 1992.

3. The present report reviews briefly the dramatic changes in the international environment that have set a new context for development cooperation and attempts to identify the key development objectives for the 1990s. The principal focus of the report is, however, on the role of the United Nations system in facilitating the attainment of these objectives. Two closely connected questions are discussed: what can be done by the international community through the United Nations system to advance international cooperation for development, and how can the functioning of the system itself be improved to serve as an effective instrument to that end. While the paper raises many questions, it does not attempt to provide all the answers; the purpose is no more than to stimulate a productive debate in the Council.

I. A NEW CONTEXT FOR WORLD DEVELOPMENT

4. Although few had foreseen the major shift that has taken place in world affairs, it is now recognized by everyone that the international scene has been fundamentally transformed. Equally evident is the change in the context for international development cooperation. What is less apparent is the full impact of these changes on our common future. Nor have the policy responses, at the national and international levels, to this wholly new situation fully evolved and crystallized.

5. In the political sphere, the end of the cold war and the disappearance of the great East-West divide have brought about a vast improvement in the international climate. For the first time in the post-war period, it seems possible to apply effectively the system of collective security envisaged in the Charter of the United Nations to preserve world peace and stability.

6. The reduction of tensions and the elimination of ideological competition has also opened the way for the major Powers to achieve large-scale disarmament and reduce their defence expenditures substantially. Although the complexity and high cost of conversion may limit the dividend in the short

run, a significant reduction in defence expenditures should release resources in the medium to long term for the tasks of development at home and internationally.

7. Greater cooperation among the major Powers has also facilitated the resolution of several regional conflicts and the winding down of others. While one should not ignore the already manifest potential for new and violent conflicts, the prospects for peaceful development have improved in many countries, such as those in southern Africa, South-East Asia and Central America, that have been ravaged by incessant fighting for many years.

8. These trends have served to underscore the importance and effectiveness of peace-building and peace-keeping operations of the United Nations in many parts of the world. At the same time, the demand for and complexity of such operations has grown dramatically, stretching the capacity of the Organization to respond.

9. More and more of these situations call for a whole range of actions beyond the classical approach to peacemaking and peace-keeping, encompassing not only the political and humanitarian fields but assistance for rehabilitation, institution-building and socio-economic development as well.

10. The developments in Eastern and Central Europe and the emergence of several new States following the dissolution of the former Soviet Union have provided a new impetus to the trend towards universal membership not only in the United Nations, but also in its specialized agencies, especially in the Bretton Woods institutions and the General Agreement on Tariffs and Trade (GATT). Russia has gained observer status in GATT. Most of the States emerging from the former Soviet Union have now become full members of the International Monetary Fund (IMF) and the World Bank. Also relevant to the trend towards universalization is the decision of China to seek the resumption of its membership in GATT.

11. Another trend is the spread of participatory democracy and pluralistic systems of governance across all regions. While the most dramatic manifestation of this phenomenon may have been in Eastern and Central Europe and the former Soviet Union, quiet but consistent moves in the direction of democracy were already apparent in many parts of the developing world in the latter half of the past decade. By now, democratic governance has become the norm in Latin America and in large parts of Asia and Africa. Progress, however, remains fragile and could easily be reversed as recent developments in some countries clearly demonstrate. People not only seek a greater say in the political processes that govern their lives but also have legitimate expectations of deriving tangible benefits from more democratic and open societies. There are too many examples in history where totalitarianism has capitalized on poverty. Democracy must be sustained by broad-based development if it is to survive over the long term.

12. These profound changes in the political sphere are mirrored by important shifts in the economic field. There is a growing convergence of views on

economic management. Although national approaches to economic management continue to reflect significant variations rooted in culture and history, in general, market-oriented strategies of development with emphasis on individual initiative and entrepreneurship and export-led growth are gaining near-universal acceptance. The role of foreign investment and transnational corporations is being viewed in a new and more positive light.

13. Human development and the eradication of poverty are seen as critical to the economic transformation of the society. Environmental sustainability is another key dimension of this development paradigm. In the industrial world, where environmental degradation has been caused by heavy use of fossil fuels, industrial pollution and indiscriminate consumption, protection of the environment from further deterioration and the costs associated with it have become major political issues. In the developing countries, where the depletion of resources is most serious, it is not possible to preserve the environment by denying the use of natural resources on which the survival of those countries depends. Therefore, action against poverty helps protect the environment, and the protection of the environment is an essential part of development.

14. As a result of this emerging consensus, polarized and doctrinaire debates of the past are giving way to a more pragmatic search for solutions to global issues, improving considerably the prospects for enhancing international cooperation for development. The Rio Declaration on Environment and Development and the programme of action embodied in Agenda 21, approved at the recently concluded United Nations Conference on Environment and Development, mark a significant advance in this regard.

15. Another trend is the globalization of finance and production in many sectors. This is eroding the ability of Governments to effectively manage the pace and direction of economic change within their own borders. Concomitantly, the role of transnational corporations and financial and capital markets continues to expand in the world economy. More open capital markets can complicate macroeconomic management and can lead to the misuse of the vast economic power acquired by individual actors, resulting in market distortions or even the danger of destabilization. However, globalization and integration if effectively pursued, should increase productivity through a more rational allocation of resources.

16. In contrast with these encouraging trends, the income and technology gap between the North and the South has continued to widen. Within the developing regions, great diversity of growth has emerged. In general, while much of Asia has surged ahead, Africa and Latin America have stagnated and lagged behind. Poverty in large parts of the developing world has increased and social progress has been set back. More recently, some Latin American countries appear to be emerging from the debilitating burden of external debt to begin to grow again; but Africa and the least developed countries, many of which are in sub-Saharan Africa, remain mired in the vicious circle of economic stagnation, high population growth and declining incomes per head, and run the risk of being progressively marginalized rather than integrated into the world economy.

17. These trends have far-reaching implications not only for the stability and cohesion of the affected developing countries; their consequences also radiate in many ways through the rest of the world. This is at a time when, in the developed countries, traditional forms and means of development cooperation are coming under question as Governments have become increasingly preoccupied with domestic social concerns at a time of fiscal constraint. One measure of these effects is the escalating frequency, scale and complexity of emergency situations that call for an international response. A record number of 17 million refugees and 20 million displaced persons are, for example, the daily concern of many organizations of the United Nations system and other humanitarian agencies. In some countries, particularly in Africa, the strains of conflict, recurrent drought, mass displacement of populations and endemic poverty are leading to the erosion and even disappearance of the fragile political and social structures, undermining the basis for their long-term survival and development.

18. Pressures for immigration and the potential for major shifts in populations are growing. This phenomenon will remain an important international concern in the years to come. Conditions of instability and chaos also contribute to the spread of international crime and drug trafficking. Not only do these trends raise fundamental moral issues for the world community, they also bring to the fore the question of the long-term viability of a process of international development that does not encompass a large proportion of the world's population.

19. It would seem from the above that, while the international situation may have turned more favourable in some ways for advancing the development agenda, there are many causes for great continuing concern and many tasks require the urgent attention of the international community. As the world seeks a new and more stable equilibrium in the post-cold war era, development cooperation with clearly defined and agreed upon goals and policy commitments for their realization can be an anchor of stability and progress in a period of great flux and uncertainty. It should also serve to underpin the emerging new world order with the ideas of equity and development as the basis for enduring peace and security.

II. KEY DEVELOPMENT OBJECTIVES

20. Recent events in many parts of the world have underscored the inescapable links between economic development and political and social stability. In today's world, economic success rather than military power ultimately determines the place of a country in global competition. This is equally relevant to the ordering of national priorities in developing countries. Moreover, the resurgent pressures for the recognition of ethnic, religious and cultural identities in many parts of the world suggest that both democratic participation and economic and social progress are essential for national integration and political stability. International cooperation in the new era thus has a dual purpose: to promote development with democracy and accountable governance, but also to ensure that democracy is not undermined by

the lack of development. The two must move in step. The Summit Meeting of the Security Council, held in January 1992, recognized the close links between economic and political aspects when the President of the Security Council stated, on behalf of the members of the Council, that "lasting peace and stability require effective international cooperation for the eradication of poverty and the promotion of a better life for all in larger freedom" (S/23500).

21. Within this political context, the United Nations and its family of organizations are assisting Member States to forge a consensus on the key development objectives for the 1990s. This is reflected in several recent declarations and decisions adopted by the United Nations which are of a global character, such as the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, adopted by the General Assembly at its eighteenth special session (Assembly resolution S-18/3, annex), the International Development Strategy for the Fourth United Nations Development Decade (Assembly resolution 45/199, annex), the Cartagena Commitment, adopted by the United Nations Conference on Trade and Development (UNCTAD) at its eighth session, and Agenda 21 emerging from the United Nations Conference on Environment and Development; or those that address the requirements of regions or groups of countries, such as the United Nations New Agenda for the Development of Africa in the 1990s, adopted by the General Assembly at its forty-sixth session (Assembly resolution 46/151, annex, sect. II), and the Programme of Action for the Least Developed Countries for the 1990s, adopted by the second United Nations Conference on the Least Developed Countries. 1/

22. The principal development objectives for the 1990s can be summarized as follows:

(a) A decisive strengthening of international development cooperation for sustained and sustainable growth in the world economy and, in particular, the revitalization of economic growth and development of the developing countries; a setting of strength and stability in the world economy and sound macroeconomic management, nationally and internationally;

(b) A development process that is responsive to social needs, seeks the eradication of poverty and hunger, promotes the development of human resources and skills and is environmentally sound and sustainable;

(c) An improvement of the international systems of money, finance and trade so as to support further the development process;

(d) A smooth integration of Eastern Europe and the States emerging from the former Soviet Union into the world economy;

(e) A special responsibility to deal with Africa, and the least developed countries, the weakest among the developing countries; humanitarian relief and assistance in emergency situations.

23. The attainment of these objectives calls for a new partnership in development. This implies the acceptance of responsibility: by all countries to pursue effective national policies for sustained and sustainable development; by the international community to support these policies; and by the major industrial nations to ensure a favourable international economic environment so that these policies have a fair chance of success. It also implies the pursuit of a continuous development dialogue among all the partners to deepen the understanding and consensus on national and international actions required in response to changing conditions.

A. Revitalizing growth and development

24. From a development perspective, the first and most immediate task is to revive growth in the world economy and strengthen rules and disciplines, particularly in the area of trade. The world economy at the beginning of the 1990s is marked by a general slow-down, with global output per head falling for the past two years in a row. The short- to medium-term prospects are only for modest recovery and growth. 2/ In the countries that are members of the Organisation for Economic Cooperation and Development (OECD), unemployment has been on the rise; on the other hand, inflationary pressures have receded in general, although in Germany the high cost of reunification has rekindled the fear of inflation. Commodity prices have fallen, after a brief revival, to the historic lows seen in the past decade. Fiscal deficits in many countries appear unsustainable. Long-term interest rates remain high despite recent downward movements. Policy coordination among the G-7 countries has weakened recently as Governments have become more preoccupied with the imperatives of their domestic economies.

25. The transition economies of Eastern Europe and the newly independent States have experienced sharp reductions in incomes and output. In the majority of developing countries, growth performance remains unsatisfactory. Growth rates even in the dynamic Asian economies, while remaining high by world standards, have fallen below those achieved in the second half of the 1980s. Some of the Latin American countries are starting to grow again, but for the region as a whole, the rate of economic growth is only slightly above the rate of increase in population. Africa faces the prospect of continued decline in per capita incomes compounded by another major drought and food shortages in the immediate future.

26. Clearly, the legacy of the problems that hampered development during the past decade has not disappeared. External debt problems continue to constrain growth in too many countries. Although in 1991 the net transfer of financial resources to developing countries turned positive for the first time since the early 1980s, it remains extremely small. Official development assistance has been slowing down and in the coming years it is not expected to grow faster than the gross domestic product (GDP) in the developed donor countries. The development finance institutions are not in a position of contributing significant net resources. Discriminatory trade restrictions on manufactured and semi-manufactured exports of developing countries and a secular decline in

commodity markets remain major obstacles to accelerated growth in these countries. 3/

27. The general slow-down in the world economy and the continuing difficulties confronting many developing as well as transition economies suggest that the world economy is not functioning at its full potential and that its performance can be improved significantly by enhanced international cooperation. This should remain a key objective for the United Nations system in the years ahead.

B. National policies, global requirements and rules of the game

28. A major reorientation of national development strategies and economic policies has taken place in a large number of countries since the mid-1980s. A majority of developing countries are engaged in a process of policy reform towards allowing a much stronger play of market forces in their economies. State regulations are being reduced and streamlined and the role of the State in direct productive activity is being cut in a wave of privatization that reaches all regions of the developing world. Many countries have unilaterally liberalized their trade and foreign exchange regimes and reduced barriers to their markets, and are persevering in this path. 4/ Laws and regulations encouraging foreign direct investment are being established almost everywhere. 5/ Although in different ways and at a different pace, this process of reform has engulfed not only many small and middle-sized economies in Africa, Asia and Latin America and the Caribbean, it is also manifest in large populous economies such as Brazil and India. The transformation in socialist developing countries, such as China and Viet Nam, has also been far-reaching, involving more market-oriented strategies and the opening of their economies. The transition economies of Eastern Europe and the newly independent States are undergoing a radical transformation to market-based systems.

29. The aim of such changes is to improve resource allocation and speed up structural adjustment, so that more rapid and sustainable growth can be achieved. Notwithstanding efforts to increase domestic savings and diversify exports, the success of trade liberalization measures and export-led growth strategies in developing economies and economies in transition will largely be determined by a predictable access to markets and the dynamics of world trade.

30. The respect for and stability of the rules for access is as important as the degree of market access. Investors in developed and developing countries need to be confident that their export markets will remain open. A clear set of rules and disciplines applied worldwide and an enhanced mechanism for the settlement of disputes is one of the main objectives of the Uruguay Round of mutlilateral trade negotiations. The emergence from those negotiations of a strengthened international trade regime will be critical for the success of export expansion and export diversification policies.

31. Financial deregulation and privatization in a growing number of countries and large increases in the flows of foreign direct investment are among the signs of the opening of economies and integration of the world economy. In more open and market-oriented economies the transmission of instability across the borders becomes more pronounced. Rapid changes in such major external variables as prices of exports or interest rates complicate macroeconomic management. 6/ Sudden shifts of funds transmit instability to the exchange rate, to foreign trade and to financial markets. An important objective in a rapidly changing world economic environment should thus be to achieve greater stability and predictability in interest and exchange rates and a smooth functioning of capital markets.

32. As noted earlier, sweeping economic reforms have become a feature of the early 1990s. An unprecedented number of developing countries are adjusting economic structures at a rapid pace, usually with considerable support from the Bretton Woods institutions, 7/ as well as other agencies and organs of the United Nations system.

33. Recent experience points to two important lessons. First is that the adjustment should be accompanied by adequate investment levels. While the reallocation of investments, and often of public consumption expenditures, is of the essence of restructuring efforts, it is critical that those efforts do not lead to a large fall in gross domestic investment. Under-financed adjustment programmes - particularly in countries struggling with large external debt burdens - run the risk of protracted periods of low investments and little or no growth pay-off from the adjustment process. A second lesson of recent experience is that marginalization of some groups has increased during the adjustment process and often, at least in the short term, more people have become poor.

34. The success and long-term sustainability of these reform efforts thus depends critically on adequate financing for investment and for social safety nets for the vulnerable groups. Mobilization of financial resources for development will thus remain an essential task at both the national and the international levels.

C. Human development, poverty, technology and the environment

35. While it is people who create wealth and thus are the source of economic growth, a rapid increase in population generates pressures on resources and demands on social services that the physical environment and society are unable to sustain. If growth fails to keep pace with expansion in population, it leads to impoverishment, particularly of the weakest segments of society, and deterioration of the physical environment. Poverty increases and the resource base is depleted. The development experience of the 1980s, particularly in Africa, is illustrative of this phenomenon.

36. Population interventions are essential as part of the efforts to revitalize development. But success will depend as much or even more on

reducing poverty and creating a healthy, trained and skilled manpower - the development of human resources - as on creating physical plants and infrastructure through capital investment. The needs and potential of women have been particularly overlooked. The advancement of women and their full integration into society are essential to the transformation of the economy.

37. The diffusion of technology is a complex process involving the spread of knowledge, know-how and skill and the creation of scientific and research infrastructure, which involves the development of a well-educated and trained manpower.

38. Water and air pollution, desertification, deforestation, climatic change, depletion of the ozone layer and loss of biodiversity and their implications for the future of the planet have led to a growing realization that new and more sustainable approaches to economic growth and development will need to be developed. To this end, the need for international cooperation is manifest.

39. The interrelated objectives of human development, eradication of poverty, diffusion of technology and protection of the environment should continue to be accorded priority attention. These and other related issues have been given considerable attention in the context of the United Nations Conference on Environment and Development. The progress achieved thus far gives grounds for hope that decisive steps will be taken by all Governments and within the United Nations system to follow up the results of the Conference towards making sustainable development a reality in all countries and launching a concerted attack on world poverty.

III. ROLE OF THE UNITED NATIONS SYSTEM

40. The United Nations system and its functioning have been the subject of considerable reflection and debate in the recent past. The statements made by world leaders at the Security Council Summit in January, as well as recent debates in the General Assembly and the Economic and Social Council, demonstrate a keen and widely felt sentiment in the international community for a renewal of confidence in the system and its role in international affairs. The executive heads of the organizations and bodies of the system discussed the question at recent meetings of the Administrative Committee on Coordination (ACC). The Committee for Development Planning examined this issue at its twenty-eighth session.

41. Several Governments and groups have also instituted studies and research projects designed to assist them in formulating their policies and attitudes as a contribution to the international thinking on this matter. Private research organizations, academic institutions and non-governmental organizations are also actively participating in this process of reflection. The reports of the Independent Commission on Environment and Development and the South Commission, the Nordic United Nations Project, the studies made under the auspices of the Ford Foundation and the Dag Hammarskjöld Foundation, entitled "A world in need of leadership, tomorrow's United Nations", and the

latest reports of the North-South Round Table are some recent examples of this ongoing process.

42. Three common strands run through this intense and wide-ranging process of analysis and reflection: first, that the United Nations system has a central role to play in the emerging world order; second, that, if it has to do so successfully, it must be equipped to respond to the requirements of the future; and third, that this is a uniquely propitious moment in history to strengthen and reshape the United Nations system so that it can function as a truly effective instrument of international cooperation for promoting peace and development.

43. How can the system fulfil its role in enhancing international development cooperation? This question raises two interrelated issues: first, what actions can the United Nations and its family of organizations undertake in order to make the development dialogue more productive so as to facilitate the achievement of the development objectives of the 1990s; and second, how can the system fulfil its functions in the new world context more effectively and efficiently, once these have been articulated? While opinion may vary among Member States regarding the emphasis to be placed on one or the other of these aspects at the present juncture, few would consider these as mutually exclusive. Some general reflections on both these dimensions are set forth below, with a view to stimulating debate in the Council.

A. Towards a more productive development dialogue

44. At the intergovernmental level, the United Nations General Assembly, as the principal political forum of the system with universal and equal participation and a broad mandate, is a unique body where Governments pursue the development dialogue in its political context. Ideally, this should enable Governments to take an integrated view of the economic and social dimensions and bring together the interdependent issues of trade, finance, technology, population, environment and poverty. The aim should be to build and deepen the political consensus required for enhanced cooperation and generate the impulses for actions in more specialized forums. The Assembly has indeed served this purpose, with a lesser or greater degree of success in the past.

45. The question is: can its deliberations be made more productive and more relevant and its decisions rendered more operational? This involves above all a willingness on the part of Member States to address these issues in their overall context in full recognition of the indivisibility of world peace and international development.

46. A strengthening of the political role of the General Assembly and of the overview functions of the Economic and Social Council would require a careful examination of how the various parts of the system, at both the intergovernmental and secretariat level, interact with each other in support of the work of the Assembly and the Council.

47. Thus, for example, the deliberations of the central bodies could be made more meaningful and relevant if they could take fuller advantage of the work of the regional commissions on the one hand and of the financial and trade institutions and the specialized agencies on the other. Inputs from the regional commissions could enrich the discussions on global issues by bringing together diverse development experiences at the regional and national levels. These regional inputs would have much greater value if the Commissions were to provide cogent analyses of individual country experiences. These could be complemented by the work to be carried out by UNCTAD on national policies under its revised mandate. On the other hand, IMF, after its consultations with individual developed countries under article IV of its Articles of Agreement, could provide an assessment of the impact of the policies of major countries on the international economic environment and on the development prospects of developing countries. A better use of inputs from UNCTAD and other concerned institutions and agencies would enhance the capacity of the General Assembly and the Council to address the long-standing issues relating to trade, finance, technology, external debt, commodities and the special needs of Africa and the least developed countries in the light of the changing world environment and the need to promote sustainable development in all countries. Similarly, the results of GATT's trade policy surveillance should shed light on key trade issues for deliberations in the central organs. The human, social and environmental dimensions of the development dialogue would also need to be integrated into these deliberations through closer and more coherent links between the Council and the work of the specialized agencies. As regards the environment, the proposed high-level Commission on Sustainable Development would provide a mechanism at the United Nations for the follow-up of the United Nations Conference on Environment and Development.

48. Moreover, the agendas of the Second and Third Committees of the General Assembly, their working procedures and the negotiating processes that determine the nature of the outcome of their work should be reviewed. Already, some progress has been made in this regard. But there is considerable scope for further improvement and rationalization. Finally, there is need for a better clarification of the relationship between the General Assembly and the Economic and Social Council and a further rationalization of their subsidiary bodies.

49. Recent steps taken to revitalize the Council and strengthen its coordination and overview functions <u>vis-à-vis</u> the United Nations system should enhance complementarity between these two principal organs. A first step has been taken to rationalize the subsidiary bodies of the Council. Likewise, the mandate of the Trade and Development Board and its subsidiary bodies has been substantially revised by UNCTAD at its eighth session. This process needs to be carried forward and consolidated.

50. A central issue for the system is the relationship between the United Nations, its programmes and the sectoral agencies on the one hand and the Bretton Woods institutions on the other. The latter were created with clear mandates that have evolved over the years to adjust to dramatic changes in international economic and social conditions. There has been fruitful

cooperation among the various bodies of the United Nations system 8/ but the scarcity of resources and the new demands imposed by the need to facilitate the transition to democratic forms of government, and market-oriented and environmentally sustainable development throughout the world have made stronger collaboration and cooperation an imperative.

51. At the secretariat level, the newly consolidated Department of Economic and Social Development will need to develop stronger links with the regional commissions, the financial and trade institutions, United Nations funding programmes and the specialized agencies to enhance its capacity to assist the central intergovernmental bodies in synthesizing interrelated issues and develop integrated approaches to address them. Moreover, ACC and its subsidiary machinery could provide more analytical and coherent system-wide inputs to these deliberations.

52. The part that the United Nations system can play in reinvigorating the development dialogue is essentially that of providing a forum, serving as a catalyst for building consensus and mobilizing additional multilateral resources. Ultimately, the extent to which Governments are willing to recognize the imperatives of global interdependence in their national policies will determine the scope of international cooperation for development. The role of the United Nations system should thus be seen in the wider context of what Governments perceive as the priority tasks to be pursued through development cooperation in the 1990s.

B. Policy coordination

53. In a world economy in which trade flows are being transformed by technological changes, the growth of services and foreign investment, there is a need to ensure greater consistency among economic policies worldwide. The first task is to ensure that national trade policies do not erode but enhance the open and multilateral character of the international trading system. This is all the more necessary in view of the emergence of regional trading arrangements and the danger of new trade frictions and unilateral actions by major trading powers in a period of intense and growing global competition. Moreover, from the developmental perspective, trade policies should reinforce rather than undermine or erode the aim of accelerating development sought through official development assistance policies. The central intergovernmental bodies of the system can perform an important policy overview function in this regard.

54. The more integrated and market-oriented world economy that is emerging reinforces the need for a strengthened surveillance by IMF of both deficit and surplus countries towards better functioning of the global economy. Such surveillance should aim at narrowing the unsustainable imbalances in large as well as smaller economies so as to reduce uncertainties and ensure a favourable global environment for investment and growth.

55. A key objective for every country as stated in article IV of the IMF Articles of Agreement is fostering "orderly economic growth with reasonable price stability". It is particularly important at this juncture that surveillance pays increasing attention to large economies. The role of IMF surveillance, which already goes beyond policy consultations with individual member countries and emphasizes a global perspective in the context of the work of the Interim Committee, could be further strengthened. 9/

56. A critical issue is the appropriate mix of fiscal, monetary and exchange rate policies, particularly of the major industrial nations, that would help realize the full potential of growth in the world economy. Progress towards this goal in the context of G-7 has been limited. The Interim Committee of the Fund was intended to provide an institutional basis for coordinated policy consultation in these areas, while the Joint International Monetary Fund/World Bank Development Committee is expected to provide the forum for discussing the implications of global developments for developing countries and particularly for resource flows. Experience has shown, however, that these arrangements have not had a strong impact, particularly when the interests of major countries have diverged. In the meantime, the need for coordination has grown, with new members entering the system and the processes of the monetary and financial system becoming more complex. This strengthens the case for closer and more institutionalized policy coordination, taking into account the interests of all countries and especially the implications for the development of developing countries. In this regard, a strengthening of the role of the Interim Committee and the Executive Board of IMF in policy coordination and/or instituting arrangements for summit-level consultations between the G-7 and small but representative groups of developing and other interested countries are among the possibilities and options that have been put forward. 10/

C. Multilateral assistance - towards a united thrust

57. A supportive environment in trade and finance is among the key prerequisites for the revival of development. But, as recognized by the International Development Strategy for the Fourth United Nations Development Decade, a sustained acceleration of the development process will not take place unless developing countries modernize and transform their industrial and agricultural sectors and participate in the progress made possible by advances in science and technology. The Strategy also identifies for special attention the priority areas of eradication of poverty and hunger, human resources and institutional development, population and environment. While national policies in all these areas are critical, there is considerable scope and need for financial and technical assistance in support of these policies from the United Nations, the multilateral financial institutions and the specialized agencies. If they concert their efforts and if they are adequately funded, the specialized agencies and multilateral and regional funding institutions, as well as regional development banks, in cooperation with bilateral donors, non-governmental organizations and other actors in the private sector, can take a formidable array of supportive actions, including providing information and analysis, mobilizing resources for pre-investment and capital formation

and technical assistance to facilitate the transfer of technologies and build up national institutions and capacities in all these areas.

58. Actions by the United Nations system to assist the efforts of developing countries to eliminate or minimize the adverse social effects of adjustment continue to be an important task. The specialized agencies and other organizations of the system, in particular the International Labour Organisation (ILO), the Food and Agriculture Organization of the United Nations (FAO), the World Health Organization (WHO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF) and the United Nations Population Fund (UNFPA), can cooperate with the financial institutions to design the adjustment programmes within the framework of longer-term development goals and collaborate in their implementation. Such interventions should have two key purposes: (a) to ensure that the human dimension of the adjustment process is fully taken into account and that the overall programme enhances rather than inhibits human resource development; (b) to ensure that the effects of the programme do not increase poverty and that it serves to lay the foundations for policies to eradicate poverty in the adjusting country. 11/

59. The support of the United Nations system to the self-help efforts of developing countries currently goes and should continue to go beyond the period covered by intense reforms or adjustment. The ultimate objective is that the concessional and non-concessional financial assistance and the technical cooperation provided lead to increased self-reliance and sustained growth. Given the weak economic base and the low consumption levels in the least developed countries and many sub-Saharan African countries, special assistance to the efforts that these countries are making to lift their economies will continue to be required. Development programmes and funds of the United Nations system such as UNDP, UNFPA, UNICEF, the International Fund for Agricultural Development (IFAD) and WFP are important sources of financial and technical assistance for these countries and their resources should be commensurate with the tasks.

60. The United Nations system must continue to monitor and to draw attention to the grave problems of the weakest members of the world community and to mobilize international support for their development. It must increase its financial and technical assistance to Africa and the least developed countries, apart from playing advocacy, awareness-raising and catalytic roles in favour of these countries. The follow-up of the Programme of Action for the Least Developed Countries and the New Agenda for Africa should be major priorities for system-wide efforts in the 1990s.

61. Given the magnitude of the transformations sought in the transition economies of Eastern and Central Europe, financial and technical assistance of the United Nations system to these countries should be a major task of the 1990s. In the case of most institutions and agencies, additional resources will be required to perform this new task without jeopardizing other programmed activities.

62. IMF and the World Bank, the key institutions of the system in the financial area, are called upon to play a main role to assist the transformation in these countries. 12/ They will have a major responsibility for balance-of-payments support, financing of projects and programmes, technical cooperation for institution building and economic policy formulation. While financing by other financial institutions, the European Bank for Reconstruction and Development in particular, and several industrial countries will be substantial, there will still be a need for large resources from the Bretton Woods institutions themselves.

63. The ratification of the ninth quota increase of IMF has become even more crucial today. The large legitimate demands for IMF resources can be accommodated only if the ninth quota review is ratified promptly. The tenth replenishment of the International Development Association (IDA), the concessional lending arm of the World Bank, should be large enough to respond to the additional demands arising from environmental protection, poverty alleviation and human development needs in low-income countries as well as those from some members of the newly independent States that will qualify for IDA resources. Otherwise, a pillar of the United Nations system to assist low-income developing countries might be eroded.

64. It is through the instrumentality of the United Nations system that the interwoven issues of population, resources, environment, technology and poverty have come to the forefront of international attention. 13/ The system must now reinforce cooperative actions in these key areas. By focusing its technical assistance capacity on these areas, it can enhance its effectiveness as a source of policy advice and technical assistance to Governments, and its role as a catalyst and as a source of financial assistance to developing countries for the implementation of human development, anti-poverty and environment policies and programmes should be strengthened.

65. One of the most important goals that the United Nations system, with its diversity and complementarity, can pursue is the eradication of poverty - an overarching aim of development and a necessary condition for peace-building. United Nations agencies and programmes can provide countries with "pooled" and comprehensive assistance packages, given the scarcity of financial, analytical and managerial resources. Improved inter-agency coordination will also attract other donors and regional development banks. Progress made in this regard by the World Bank, ILO and the Joint Consultative Group on Policies (JCGP) (UNDP, UNICEF, UNFPA, IFAD and WFP) should be built upon on a system-wide basis.

66. However, the goals of human development, poverty alleviation and environmental protection cannot be realized without a new commitment of resources. There is considerable room for reorientation of strategies and reallocation of resources at both the national and the international levels. The United Nations system can assist in this process by policy advice, targeting its multilateral assistance and its advocacy role. But additional resources will still be required if a major dent is to be made in these problems. The developing countries will need to mobilize their own resources

for these purposes and substantially increased bilateral and multilateral assistance will be necessary to support their efforts. A major reduction in military expenditures in developed and developing countries could be an important source of additional resources for these development objectives.

67. However, the resources made available to the system are also a function of how effectively and efficiently these are seen to be used. There is widely expressed concern about the functioning of the system and the fragmented character of its multilateral assistance, with its vast array of organizations and agencies and its myriad programmes and projects. A general perception exists about the ineffectiveness and limited impact of many of its activities. There is a strong call from Member States for a closer overview and a sense of united thrust. This raises important questions for governance, financing and coordination when the system is being called upon to perform a variety of new and complex tasks.

68. The system is expected, for example, to evolve a coordinated strategy for sustainable development and respond to a variety of special and humanitarian needs. Economic and environmental dimensions are being added to the purely military dimensions of collective security, as was evident in the aftermath of the Persian Gulf conflict when the system was called upon to respond to a host of political, economic and ecological needs stemming from that conflict. Member States affected by that crisis have expressed dissatisfaction at the capacity of the system to respond to their needs for compensation and assistance.

69. The nature and scope of the interrelationships between peace and security, development and human rights are being reexamined and questions about their implications for the functioning and organization of the system are being raised. New thinking and new approaches are being sought in the field of economic and social development itself. Over the years the work of the system in these areas has expanded steadily in response to the growing demands placed on it by Member States. New issues of global concern have continued to emerge, but the capacity of the system to respond to these demands has not always kept pace with the needs. Resources have remained stagnant and have been spread too thin. Also, linkages with other institutions and actors that have come to play a vital role in the vast and varied development effort are not as yet as systematic as would be desirable. The role of regional development banks as sources of finance, policy advice and research and analysis has been growing steadily. Transnational corporations are becoming one of the principal vehicles for the international transfer of technology and the flow of financial and skilled human resources. A vast number of non-governmental organizations have emerged with grass-roots capacities in the development field that need to be fully exploited. International research institutions and the academic community are an important source of new ideas and innovative solutions to global problems.

70. Three sorts of interrelated implications arise for the system from the above: first, the system needs to refocus its own activities on the basis of more clearly defined priorities; second, it has to develop stronger linkages

and networks with other actors and institutions so as to draw upon their capacities to enhance the effectiveness and impact of its activities; and third, it should enhance its catalytic role in bringing the many participants together by fostering close cooperation to achieve synergy and maximum impact. The preparatory process for the United Nations Conference on Environment and Development is a recent example of how these three dimensions can be dovetailed and brought to bear successfully on such a vast and complex global issue as the nexus between environment and development. Humanitarian and emergency assistance operations have also benefited greatly from close cooperation with other institutions in the field. Similarly well-orchestrated and concerted actions need to be mounted for an attack on world poverty, on population issues and the development of human resources, for the control of drugs and crime and for meeting the challenge of communicable diseases across frontiers.

71. A main question that arises is how best to assist developing countries in formulating their short-, medium- and longer-term strategies in a way that concretizes, in accordance with their specific circumstances, the internationally accepted development goals, with appropriate time-frames, and how each element of the system can collaborate effectively to bring to bear its special capabilities in a more coherent framework so that a "united thrust" can be achieved.

72. Can the system be reoriented to collaborate closely along these lines? Can all its parts function in support of common development strategies in order to concentrate scarce financial and technical resources? Can practical mechanisms for system-wide consultations under this collaborative approach to economic management in developing countries be devised? Can each individual country - donor or otherwise - present consistent policies and positions in the various intergovernmental bodies and negotiating processes of the system?

73. Almost three years ago, the General Assembly adopted a comprehensive resolution (44/211), by which it set the direction for operational activities of the system. The Council will discuss these issues under a separate agenda item. Three issues appear to be critical: first is "governance" or the capacity of the intergovernmental machinery for setting clear directions and guiding the activities of the entire system towards agreed objectives. A number of proposals for reform have been developed in this connection that need to be carefully examined. Second is financing, or how to ensure adequate, assured and stable funding for the operational activities of the system and their more efficient use. In this regard, the proposals for combining assessed contributions, negotiated pledges and voluntary contributions need to be carefully considered; last but not the least are coherence and effectiveness, or how to ensure maximum impact of technical cooperation activities at the country level. This implies promoting greater harmonization of programmes around common strategies and approaches and strengthened field-level coordination with the full participation of the recipient Government.

D. Humanitarian and emergency assistance

74. The past few years have witnessed a rapid increase in large-scale natural and man-made disasters. Drought and famine are threatening millions in Africa once again. In Asia, there have been major floods and cyclones, and an outbreak of cholera in parts of Latin America has raised international concern. The Persian Gulf crisis created millions of refugees and vast ecological damage in that region and its vicinity. Civil conflicts, particularly in Africa, continue to ravage many countries, creating large flows of refugees and displaced persons.

75. The frequency, scale and complexity of these emergency situations underscores the need for a coordinated capacity for rapid international response to the humanitarian needs arising from such situations. The growing international concern about the effectiveness of the United Nations system in this area culminated in the adoption of resolution 46/182 by the General Assembly in December 1992. Consequently, the Secretary-General established a Department of Humanitarian Affairs and designated a high-level Emergency Relief Coordinator to work closely with him to facilitate coordination among the relevant organizations and entities of the system for providing emergency humanitarian assistance. To this end, an Inter-Agency Standing Committee has been established under the chairmanship of the Emergency Relief Coordinator, with the participation of all operational organizations. Work is also under way to strengthen the capacity of the system by establishing an effective early warning system related to massive flows of refugees and displaced persons. A $50 million Central Emergency Revolving Fund has been set up to provide urgently required resources in the initial phase of complex emergencies. Consolidated appeals, based on a rigorous inter-agency process, will provide the donors with coherent and comprehensive information on emergency requirements as well as identify the specific role of the concerned organizations. In addition, contingency arrangements are being developed to strengthen the stand-by capacity of the organizations of the system, including the possibility of access to logistical support from the donor community.

76. These steps should strengthen the capacity of the United Nations and the relevant organizations to act rapidly and in a more coordinated manner in response to future needs. However, it is important that emergencies not be seen as requiring the United Nations to develop merely an effective "fire brigade" function. The root causes of many of these emergencies, man-made or natural, lie in poverty and underdevelopment. The United Nations system should endeavour to build bridges between relief and development and wherever possible ensure that its response to emergencies is placed within a longer-term developmental framework. Further efforts will need to be made by the system to integrate this aspect into the national and international development strategies.

E. Analytical and normative functions

77. An approach based on a "united thrust" and "networking" could also significantly strengthen the irreplaceable role of the system as a source of vital information and ideas and as a forum for world-wide debate and discussion of global issues. At the present juncture, in which security, development, technological progress and political changes are becoming more interdependent and complex, the analytical and evaluative functions of the system and its leading role in setting norms and standards can be greatly reinforced by internal coherence and external outreach efforts.

78. This normative role of the system acquires special significance at a time when international life is in a state of flux. The world must move forward with an eye to the future, but also with a sense of history. The normative responsibility of the system at a time of great change calls for a code of courage: the courage to bring up long-standing unresolved problems, such as injustice, poverty and underdevelopment; the courage to devise and suggest difficult, sometimes new and often unpalatable solutions; and finally, the courage to break new ground and raise emerging and potential problems before they become pressing or fashionable. This entails a sense of time as well as a capacity for integrated, holistic analysis, for constant monitoring of trends, with a view to identifying emerging issues, for making early diagnosis and for developing timely responses before problems become overwhelming or certain processes turn irreversible.

79. This indeed is a function that the system has performed well in many instances in the past, but must continue to develop and refine in the future. The effectiveness of the system in this regard will depend on three key factors: first, the strengthening of analytical, research and technical capacities, through pooling of institutional capacities so that outputs of the system are of the highest quality; second, achieving synergy between technical cooperation and research and analytical functions, with each drawing upon the results of the other for mutual reinforcement, and lastly, networking and closer cooperation among the organizations of the system to bring to bear the critical mass of resources and effort required in key priority areas for the system to be able to serve as the cutting edge in developing innovative approaches and ideas.

80. Some progress has been made recently on these aspects. Common system-wide approaches are being developed in such areas as eradication of poverty, drug control and the prevention and control of AIDS. Within the United Nations itself, as a first step, the various economic and social entities of the Secretariat in New York have been consolidated into a single Department of Economic and Social Development. Several of the organizations are carrying out their own internal reviews and reform. ACC is paying particular attention to its own role and to the functioning of its subsidiary machinery.

81. This process of reform should be continued and carried forward. In this connection, the institutional follow-up of the United Nations Conference on

Environment and Development, the outcome of the Uruguay Round of multilateral trade negotiations and of current discussions on the launching of a social summit will be of particular relevance to the future evolution of the system.

Notes

1/ Report of the Second United Nations Conference on the Least Developed Countries, Paris, 3-14 September 1990 (A/CONF.147/18), Part One.

2/ The malfunctioning of the world economy and its adverse effects on the development process was analysed in the World Economic Survey 1991 (United Nations publication, Sales No. E.91.II.C.1), chap. I. It is further discussed in the World Economic Survey 1992 (United Nations publication, Sales No. E.92.II.C.1).

3/ For a more detailed assessment, see report of the Secretary-General on the review and appraisal of the International Development Strategy for the Fourth United Nations Development Decade (A/47/270-E/1992/74).

4/ There are several reasons for the switch to liberalization policies since the mid-1980s. Many countries under adjustment programmes in accord with the Bretton Woods institutions undertook liberalization measures, but also did others on their own. What is unprecedented is the large number of developing countries that took and have maintained this course in the past seven years or so.

5/ Rules were relaxed regarding ownership, approval procedures, repatriation of earnings, sectoral limitations and granting of incentives; there was significant liberalization in all policy areas, except for performance requirements. See World Investment Report 1992: Transnational Corporations as Engines of Growth (to be issued as a United Nations publication).

6/ See report of the Secretary-General on economic stabilization programmes in developing countries (A/46/385).

7/ Today, more than 50 countries are undertaking structural adjustment with financial support from the Bretton Woods institutions. The International Monetary Fund has established the Structural Adjustment Facility and the Extended Structural Adjustment Facility. The World Bank has established the line of credit for structural adjustment loans.

8/ For a discussion of cooperation between the International Monetary Fund and other bodies of the United Nations system, see the remarks by Michel Camdessus, Managing Director of IMF, to the annual meeting of the Academic Council of the United Nations System, held at IMF on 18 June 1992.

9/ Sustained non-inflationary growth in the major industrial countries (e.g., Group of Seven) is also decisive for the success of export-led growth

Notes (continued)

strategies of developing countries. Initially, some success can be achieved by import penetration, but in the long run only more dynamic growth in the developed world can provide the required expansion of world trade.

10/ For an interesting proposal in this regard, see United Nations University, World Economic Summits: The Role of Representative Groups in the Governance of the World Economy (WIDER Study Group Services, No. 4, 1989).

11/ For more detailed information and analysis of the activities of the United Nations system relating to poverty eradication, see report of the Secretary-General on coordination of policies and activities of the organizations of the United Nations system relating to assistance in the eradication of poverty and support to vulnerable groups, including assistance during the implementation of structural adjustment programmes (E/1992/47).

12/ See communiqués of the Interim Committee and the Development Committees; IMF/World Bank spring meetings (27-28 April 1992).

13/ The preparations for and the convening of the United Nations Conference on Environment and Development have raised environment and development to an unprecedented level of public and political awareness throughout the world. "A New Partnership for Development: The Cartagena Commitment", adopted by UNCTAD at its eighth session, underscores the interdependence of growth and development, poverty alleviation and protection of the environment. Likewise, the successive United Nations Conferences on Population and on Women, and the World Summit on Children were instrumental in establishing these as major international concerns. On another plane, the World Development Reports of 1990 and 1992, prepared by the World Bank, and several other reports emanating from the United Nations system, have focused attention on the inescapable links between development, poverty eradication and the environment. The UNDP Human Development Report 1990 brought to the fore the idea of human development. The UNICEF report Adjustment with a Human Face highlighted the need for integrating the social dimensions into structural adjustment programmes. The work of many of the organizations such as the World Bank, UNDP, IFAD, WFP, FAO, ILO, WHO and UNESCO in the areas of human development and poverty eradication, of UNFPA in the area of population, women and the family and of UNICEF for children and women have helped shape the world's development agenda in the 1990s. The forthcoming conferences on population and on women and the proposed World Summit on Social Development will be further occasions to deepen the international consensus for action in these areas.